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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 12/1/11 AND ENDING 11/30/12  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: NSM Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

1700 Palm Beach Lakes Blvd., Suite 900

(No. and Street)

West Palm Beach

FL

33401

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Michael O. Brown

(404) 303-8840

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Spicer Jeffries LLP

(Name - if individual, state last, first, middle name)

5251 S. Quebec Street, Suite 200

Greenwood Village

CO

80111

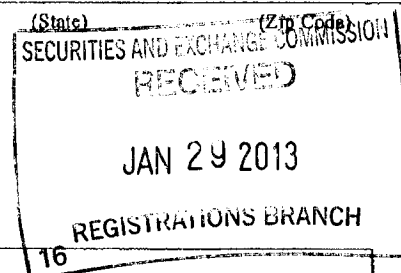
(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)*

SEC 1410 (06-02)

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Chp  
2/5/13

## OATH OR AFFIRMATION

I, Michael O. Brown, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NSM Securities, Inc., as of November 30, 2012, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Financial Operations Principal

\_\_\_\_\_  
Title

\_\_\_\_\_  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity of Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital (including reconciliation of X-17A-5 Part II filing with this Rule 17a-5(d) report, if applicable).
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditors' Report on Internal Accounting Control.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**NSM SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**NOVEMBER 30, 2012**

The report is filed in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934 as a  
**PUBLIC DOCUMENT.**

**NSM SECURITIES, INC.**

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SPICER JEFFRIES LLP

CERTIFIED PUBLIC ACCOUNTANTS

5251 SOUTH QUEBEC STREET • SUITE 200

GREENWOOD VILLAGE, COLORADO 80111

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FAX: (303) 753-0338

[www.spicerjeffries.com](http://www.spicerjeffries.com)

## INDEPENDENT AUDITORS' REPORT

The Stockholders of  
NSM Securities, Inc.

We have audited the accompanying statement of financial condition of NSM Securities, Inc. as of November 30, 2012 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of NSM Securities, Inc. as of November 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

Greenwood Village, Colorado  
January 24, 2013



NSM SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION  
NOVEMBER 30, 2012

ASSETS

Cash	\$ 17,450
Commissions receivable	119,404
Other receivables	111,709
Deposit with clearing broker	275,000
Furniture and equipment, at cost, net of accumulated depreciation and amortization of \$7,001	30,918
Other assets	<u>29,751</u>
<b>Total assets</b>	<b><u>\$ 584,232</u></b>

LIABILITIES AND STOCKHOLDERS' EQUITY

**LIABILITIES:**

Accounts payable and accrued liabilities	\$ 134,142
Salaries, commissions payable and payroll taxes	46,896
Deferred income taxes (Note 2)	<u>22,209</u>

<b>Total liabilities</b>	203,247
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**COMMITMENTS AND CONTINGENCIES** (Notes 4 and 5)

**STOCKHOLDERS' EQUITY** (Note 3)

Common stock, no par value, 200 shares authorized, 200 shares issued and outstanding	100
Preferred stock, no par value, 80,000 shares authorized, 9,500 shares issued and outstanding	225,000
Additional paid-in capital	214,400
Deficit	<u>(58,515)</u>
	<u>380,985</u>

<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 584,232</u></b>
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The accompanying notes are an integral part of this statement.

**NSM SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Business**

NSM Securities, Inc. (the "Company") is a securities broker-dealer, registered with the Securities Exchange Commission ("SEC"), a member of the Financial Industry Regulatory Authority Inc. ("FINRA"), and a member of the Securities Investor Protection Corporation ("SIPC"). The Company was incorporated in December 2003 and began operations in August of 2005. The Company transacts its business with customers located throughout the United States.

The Company under Rule 15c3-3(k)(2)(ii) is exempt from the reserve and possession and control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing broker on a fully disclosed basis.

**Revenue Recognition**

The Company's commission income is substantially derived from purchases and sales of securities on behalf of customers. The Company does not engage in proprietary trading activities. In addition, the Company is an approved dealer for various mutual fund houses. Any transactions with these mutual fund houses are consummated directly between the customer and the mutual fund house; the Company receives a commission. The Company records securities transactions and related revenue and expenses on a trade date basis.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is primarily five years.

**Income Taxes**

The Company files a federal income tax return. The Company utilizes the asset and liability method of accounting for income taxes as prescribed by Accounting Standards Codification 740-Income Taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which these temporary differences are expected to be recovered or settled. Changes in tax rates are recognized as income in the period that includes the enactment date.

In accordance with GAAP, the Company is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any tax related appeals or litigation processes, based on the technical merits of the position. The Company files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. The Company is not subject to income tax return examinations by major taxing authorities

NSM SECURITIES, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
(continued)

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

**Income Taxes (continued)**

for years before 2008. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces net assets. However, the Company's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. The Company recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income taxes payable, if assessed. No interest expense or penalties have been recognized as of and for the year ended November 30, 2012.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

For purposes of the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days.

**NOTE 2 - INCOME TAXES**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred tax assets and liabilities of the Company principally relate to reporting on the cash basis of accounting for tax purposes versus the accrual basis of accounting for financial reporting purposes.

The primary components of the Company's deferred income tax assets and liabilities as of November 30, 2012 are as follows:

Deferred tax liabilities:	
Receivables	\$ 52,409
Prepaid assests	<u>4,068</u>
	56,476
Deferred tax assets:	
Payables	<u>34,267</u>
Net deferred tax liability	<u>\$ 22,209</u>



**NSM SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*(concluded)*

**NOTE 3 - NET CAPITAL REQUIREMENTS**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At November 30, 2012, the Company had net capital and net capital requirements of \$208,607 and \$13,557, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was .97 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1.

**NOTE 4 - COMMITMENTS**

The Company leases office space under a non-cancelable operating lease expiring in 2016. At November 30, 2012, aggregate minimum future rental commitments under this lease with initial or remaining terms in excess of one year are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 162,814
2014	162,814
2015	162,814
2016	54,272
	<u>\$ 542,714</u>

For the year ended November 30, 2012, the Company paid \$166,128 in lease payments.

**NOTE 5 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISK AND CONTINGENCIES AND UNCERTAINTIES**

In the normal course of business, the Company's client activities ("clients") through its clearing broker involve the execution, settlement and financing of various client securities transactions. These activities may expose the Company to off-balance sheet risk. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

The Company's financial instruments, including cash, receivables, deposits, other assets, payables and accrued expenses are carried at amounts which approximate fair value due to the short-term nature of those instruments.

The Company is involved in various disputes arising in the normal course of business, which are in the preliminary or early stages. In certain of these matters, large or indeterminable amounts are sought. Management, after review and discussion with counsel, believes the Company has meritorious defenses and intends to vigorously defend itself in these matters, but it is not feasible to predict the final outcomes at the present time.

NSM SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
(concluded)

**NOTE 5 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISK AND CONTINGENCIES AND UNCERTAINTIES (continued)**

The Company has receivables from and deposits with its clearing broker as shown on the accompanying statement of financial condition. These amounts are not covered by SIPC and are subject to loss should the clearing broker cease business.

**NOTE 6- SUBSEQUENT EVENTS**

The Company has performed an evaluation of subsequent events through the date that the financial statements were issued. The evaluation did not result in any subsequent events that required disclosures and/or adjustments.